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New approaches to regulation: The Vermont Telecommunications Agreement

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The dramatic changes in telecommunications in the past decade have caused many states to try new approaches to the regulation of local telephone companies. The "Vermont Telecommunications Agreement" was one of the earliest attempts at such innovative regulatory approaches. To learn more about that experience, the PURE '93 conference and MPR invited representatives with three different perspectives on the Vermont experience to share their observations.

Applications, not technology

by David W. Amidon, Applied Telecommunications

Basically, I am a technologist. From a technology viewpoint, VTA said, "New England Telephone will freeze your rates and will give you network modernization." Network modernization sounds good, but what does network modernization really mean? The response was that it means digital switching, fiber optics, SS7 deployment or other technologies. The public response seems to have been, "Fiber optics must be good. We have heard about fiber optics in Time magazine. Now we have it between Danville and St. Johnsbury."

Any negotiated agreement has to be based on some common ground. Both parties must understand the contract. Unfortunately, when we say "network modernization," we created in the minds of many people a "Field of Dreams" scenario. That is, if you build it, they will come. If we create this modern network in Vermont, we will automatically attract many new users, and also new businesses.

But it is not the technology per se that is important. What is important is what that technology can do for you. We have to concentrate on the idea of services. Telephone companies, whether it be the independent telephone companies or the Bell companies, invest in a particular technology for economic benefits. Economic benefits may include cheaper ways of doing business. Alternatively, there may be new applications that are enabled by this technology investment. We must concentrate on services, because services drive something called applications. An application is picking up the telephone and calling "Dial a Joke." An application is calling your neighbors to tell them their barn is on fire. An application is being able to connect with the C & S Wholesale people in Brattleboro, Vermont or with LL Bean in Freeport, Maine.

Before adopting a social contract, a number of questions should be asked, and they should be answered in laymen's terms, not technological terms. How will the technology improve or enhance the growth of the business currently in the state? How will that technology attract relocatable businesses - those businesses that can have their operation anywhere - to Presque Isle or St. Johnsbury? How does that technology improve my quality of life? What does it enable me to do that I cannot do now? How does that technology allow the delivery of healthcare services, either directly, or indirectly as might happen through on-line access to Blue Cross/Blue Shield?

How does this improve education? Does it improve education because we can now put video conferences into Newport, Vermont or does it improve the Vermont education system because we can get the second telephone line into a school? The big issue about telecommunications in school is probably not that we lack fiber optics in every school; it is that we do not have a second telephone line for plain old telephone service.

To whom do you ask these questions? Are there firms other than the dominant local carrier that might have an opinion? For example, in a social contract with New England Telephone, TDS Telephone may have a conflicting viewpoint, which you must reconcile. Cable television companies are getting into telecommunications, whether they are sending out handsets or whether they are carrying data signals. There are other constituencies, so it depends on who you ask as to what answer you might get. That reconciliation, in the case of the Vermont Department of Public Service, is difficult.

It is much better to be inclusionary than exclusionary. With a social contract negotiation process, it is virtually impossible to bring all of the constituencies into that negotiation process. But public participation is very important. The lack of understanding of these technologies, which I mentioned earlier, can be overcome to some degree by bringing the public into the process at every opportunity.

Vermont has established an underlying telecommunication plan through a very public input process, which is run by the Public Service Department. I think that it is very important that contract regulation be based on a plan. With such a plan, commissioners and staff have a standard to determine what fits or does not fit with that long-range plan. That is crucial. The key is planning and in order to have a good planning document, there must be public participation.

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